

MINUTES OF THE  
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE  
WEDNESDAY, JANUARY 18, 2006, 3:30 P.M.  
Room W020, West Office Building, State Capitol Complex

Members Present: Sen. Greg Bell, Co-Chair  
Rep. Kory M. Holdaway, Co-Chair  
Sen. Peter Knudson  
Sen. Patrice Arent  
Rep. Sheryl Allen  
Rep. David Clark  
Rep. Bradley Daw  
Rep. Margaret Dayton  
Rep. John Dougall  
Rep. Susan Lawrence  
Rep. Scott L. Wyatt  
Rep. Patricia W. Jones  
Rep. Carol Spackman Moss

Members Excused: Sen. Dan Eastman

Members Absent: Sen. Carlene Walker  
Rep. LaWanna "Lou" Shurtliff

Staff Present: Spencer Pratt, Senior Legislative Fiscal Analyst  
Rolayne Day, Secretary

Public Speakers Present: Commissioner Richard Kendell  
Lynn Ward, Director, UESP  
Ryan Starks, WSU Studentbody President  
Ali Hasnain, UU Studentbody Pres. & Utah Student Association Pres.  
Taylor Morgan, Student Lobbyist

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Committee Co-Chair Bell called the meeting to order at 3:38 p.m.
2. Approval of Minutes for January 10, 2006

**MOTION:** Rep. Daw moved to approve minutes of the January 10, 2006, meeting.

The motion passed unanimously with Rep. Dayton abstaining.

3. Committee Discussion of 75%/25% Funding Proposal—Commissioner Kendall said that compensation for higher education comes from both State funds and first-tier tuition. Institutions have become more dependent on tuition as a revenue source over the last five years when State funding was low. The ratio of tuition/state funds across the system ranges from 25%/75% to 50/50%. Higher education proposes stabilizing the ratio systemwide at 25%/75%.

Unlike public education and most state agencies, higher education must raise part of its compensation package through tuition increases (tuition is considered income for the compensation mix). Analyst Spencer Pratt said this practice comes from the Executive Appropriations Committee. Commissioner Kendall said second-tier tuition increases are not regulated systemwide; an institution determines the increase based on the needs of the institution and the area it serves. The problem is that about 80% of the budget is compensation.

Commissioner Kendall said second-tier tuition has been increased at institutions to fund expanding programs, enrollment growth, etc., so the ratio varies across the system. The system can be stabilized over time by using a different accelerator for compensation increases so that all schools have the same tuition/state funds ratio of 25%/75%. The proposal wouldn't add more money to the overall higher education budget, but a bigger portion would come from State funds. Sen. Bell asked what the assurance would be that an institution wouldn't go in the back door and increase second-tier tuition anyway. Commissioner Kendall said institutions made a good-faith effort last year when they all opted for the lowest second-tier tuition range given. Sen. Bell asked if the Regents would adopt a compliance policy since this would be a huge investment for the State. Commissioner Kendall said compliance is assured because tuition increases are approved by the Regents. He doesn't want to cap second-tier tuition when institutions are trying to be responsive to the communities they serve.

Commissioner Kendall said the system can't be stabilized in one year because the amount is too big. It would take \$1,052,400 for every 1% of the total compensation package (\$5 million this year) to bring the system into compliance. Students have a say in how second-tier tuition is spent. They have supported, for example, faculty salary increases, resource enhancement, and many other items. Rep. Jones asked if students are educated on the portion of the cost of instruction that tax payers pay. Commissioner Kendall said that information is on each student's tuition receipt.

Rep. Wyatt said that the 25%/75% ratio won't work as a fixed goal because institutions have different needs. Commissioner Kendall said the proposal is imperfect, but it will help address the disparity. He also noted that the proposal is important, but not a top priority of higher education. Sen. Bell said legislators wrestle with accountability because second-tier tuition is open-ended and market driven. Commissioner Kendall said the institutions are accountable because the Regents have to approve second-tier tuition. Rep. Holdaway said second-tier tuition could allow mission creep that, in turn, would perpetuate the problem. He is uncomfortable with the abuse potential.

Rep. Wyatt asked for a priority list including the 25%/75% proposal along with the other requests by higher education. Rep. Dougall asked for a breakdown by degree across the system. Commissioner Kendall agreed to provide both pieces of information at a later meeting.

4. Presentation of Educational Savings Plan—Director Lynn Ward explained that the Utah Educational Savings Plan (UESP) is a 529 investment program. It is direct sold, so no financial advisors are necessary and fees are low. The UESP is a trust fund set up by the legislature with \$1.3 billion for college savings in 68,000 accounts, one-fourth of which are owned by Utah residents. It averaged 1,275 new accounts per month in 2005. Unlike other states with similar plans, there are no income limits or contribution minimums and there is a lot of flexibility on how and where someone can use the funds. Fees are low, administrative fees are waived for Utah residents, and there are no specialty fees. Ms. Ward discussed state and federal tax benefits. She noted that the state tax benefits would be lost if a flat tax were adopted.

UESP provides an incentive to go to college, graduates will have more income to raise a family and will graduate faster with less reliance on student loans. Utah will benefit by a better-educated workforce, a stronger citizenry, and more income taxes. Focus groups indicate that the tax deduction is a huge incentive for the program. Rep. Dougall encouraged Ms. Ward to discuss this situation with the Governor.

5. Presentation of Need-Based Financial Aid – Carrie Flamm, Executive Director, Utah Student Association—Taylor Morgan, Student Lobbyist, said the goal of the Utah Student Association (USA) is increasing need-based financial aid. Mr. Morgan discussed the cost of attendance for Weber, SLCC, and the U of U, as examples, compared to the average grant awards. The remaining need ranges from \$11,370 at WSU to \$16,645 at the U of U. Ryan Starks, WSU Studentbody President, said both he and his wife work at least 25 hours a week, but the only way they can both go to school is with financial aid and scholarships.

Mr. Morgan said the USA is focusing on UCOPE, Utah's portion of the federal aid. Mr. Starks said the debt burden is growing as students borrow to finance their education (about \$14,000 in Utah at graduation). Ali Hasnain, U of U Studentbody President and President of the Utah Student Association, said Pell Grants covered 84% of an education at a four-year institution in the mid 1970s, but now only cover 23%.

Rep. Holdaway reminded the committee of tomorrow's meeting that will start on time.

**MOTION:** Rep. Moss moved to adjourn.

Committee Co-Chair Holdaway adjourned the meeting at 5:11 p.m.

Minutes were reported by Rolayne Day, Secretary.s

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Sen. Greg Bell, Committee Co-Chair

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Rep. Kory M. Holdaway, Committee Co-Chair